



6450-01-P

**DEPARTMENT OF ENERGY**

**Western Area Power Administration**

**Central Arizona Project-Rate Order No. WAPA-172**

**AGENCY:** Western Area Power Administration, DOE.

**ACTION:** Notice of Final Transmission Service Formula Rates.

**SUMMARY:** The Deputy Secretary of Energy confirmed and approved Rate Order No. WAPA-172 and Rate Schedules CAP-FT3, CAP-NFT3, and CAP-NITS3, placing transmission service formula rates for the Central Arizona Project (CAP) of the Western Area Power Administration (Western) into effect on an interim basis. The provisional rates will be in effect until the Federal Energy Regulatory Commission (FERC) confirms, approves, and places them into effect on a final basis, or until they are replaced by other rates. The provisional rates will provide sufficient revenue to pay all annual costs, including interest expense, and repay required investment within the allowable periods.

**DATES:** Rate Schedules CAP-FT3, CAP-NFT3, and CAP-NITS3 are effective on the first day of the first full billing period beginning on or after January 1, 2016, and will be in effect until FERC confirms, approves, and places the rate schedules in effect on a final basis through December 31, 2020, or until the rate schedules are superseded.

**FOR FURTHER INFORMATION CONTACT:** Mr. Jack Murray, Vice President of Power Marketing, Desert Southwest Customer Service Regional Office, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2555, e-mail [jmurray@wapa.gov](mailto:jmurray@wapa.gov).

**SUPPLEMENTARY INFORMATION:** An FRN was published on July 24, 2015 (80 FR 44100) announcing the proposed rates for transmission service and initiating a public consultation and comment period. On July 29, 2015, Western notified all CAP customers and interested parties of the rate adjustment and provided a copy of the published FRN. On August 27, 2015, Western held a public information forum in Phoenix, Arizona, explained the proposed rates and potential changes to the proposed rates, answered questions, and provided handouts. On September 24, 2015, Western held a public comment forum in Phoenix, Arizona, to give the public an opportunity to comment for the record. No comments were received at the forum.

Previous Rate Schedules CAP-FT2, CAP-NFT2, and CAP-NITS2 for Rate Order No. WAPA-124<sup>1</sup> were approved by FERC for a 5-year period through December 31, 2010. These Rate Schedules were extended through December 31, 2012, under Rate Order No. WAPA-153,<sup>2</sup> and extended again through December 31, 2015, under Rate Order No. WAPA-158.<sup>3</sup> Rate Schedules CAP-FT2, CAP-NFT2, and CAP-NITS2 are being superseded by Rate Schedules CAP-FT3, CAP-NFT3, and CAP-NITS3. Under Rate Schedule CAP-FT2, the rate for firm point-to-point transmission service is \$13.56 per kilowatt year (kW-year). The provisional rate for firm point-to-point transmission service under Rate Schedule CAP-FT3 is \$14.88/kW-year, which represents an increase of 10 percent when compared with the existing rate. Under Rate Schedule CAP-NFT2, the rate for non-firm point-to-point transmission service is 1.55 mills per kilowatt hour (mills/kWh). The provisional rate for non-firm point-to-point transmission service

<sup>1</sup> Rate Order No. WAPA-124 was approved by FERC on a final basis on June 29, 2006, in Docket No. EF06-5111-000 (115 FERC ¶ 62,326).

<sup>2</sup> 76 FR 548 (January 5, 2011).

<sup>3</sup> 78 FR 18335 (March 26, 2013).

under Rate Schedule CAP-NFT3 is 1.70 mills/kWh, which represents an increase of 10 percent when compared with the existing rate. There will be no changes to the rate formula under CAP-NITS3.

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western's Administrator, (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy, and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to FERC. Existing Department of Energy procedures for public participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985.

Under Delegation Order Nos. 00-037.00A and 00-001.00F, and in compliance with 10 CFR part 903 and 18 CFR part 300, I hereby confirm, approve, and place provisional rates for transmission service under Rate Order No. WAPA-172 into effect on an interim basis. New Rate Schedules CAP-FT3, CAP-NFT3, and CAP-NITS3 will be submitted promptly to FERC for confirmation and approval on a final basis.

Dated: December 21, 2015.

Elizabeth Sherwood-Randall  
Deputy Secretary of Energy

**DEPARTMENT OF ENERGY  
DEPUTY SECRETARY**

In the matter of:	)	
	)	
Western Area Power Administration	)	
Rate Adjustment for the	)	Rate Order No. WAPA-172
Central Arizona Project	)	

**ORDER CONFIRMING, APPROVING, AND PLACING THE  
CENTRAL ARIZONA PROJECT TRANSMISSION SERVICE FORMULA RATES INTO  
EFFECT ON AN INTERIM BASIS**

These rates were established in accordance with section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This Act transferred to and vested in the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)), and other Acts that specifically apply to the project involved.

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western Area Power Administration's (Western) Administrator, (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy, and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to the Federal Energy Regulatory Commission. Existing DOE procedures for public participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985.

## Acronyms and Definitions

As used in this Rate Order, the following acronyms and definitions apply:

<u>Administrator:</u>	Administrator for the Western Area Power Administration.
<u>Capacity:</u>	The electric capability of a transformer, transmission circuit, or other equipment, expressed in kilowatts (kW).
<u>CAP:</u>	Central Arizona Project, one of three related water development projects that make up the Colorado River Basin Project.
<u>Customer:</u>	An entity with a contract or service agreement that receives service from Western's Desert Southwest Region.
<u>DOE:</u>	United States Department of Energy.
<u>DOE Order RA 6120.2:</u>	A DOE order outlining power marketing administration financial reporting and ratemaking procedures.
<u>Desert Southwest Region:</u>	The Desert Southwest Customer Service Region of Western.
<u>FERC:</u>	Federal Energy Regulatory Commission.
<u>Firm:</u>	A type of product and/or service that is available at the time requested by the customer.
<u>Formula Rates:</u>	A rate which is based upon a formula calculated yearly.
<u>FRN:</u>	<i>Federal Register</i> notice.
<u>Kilovolt (kV):</u>	Electrical unit of measure of potential difference that equals 1,000 volts.
<u>Kilowatt (kW):</u>	Electrical unit of capacity that equals 1,000 watts.
<u>Kilowatt hour (kWh):</u>	Electrical unit of energy that equals 1,000 watts in 1 hour.
<u>Kilowatt month (kW-month):</u>	Electrical unit of the monthly amount of capacity.

<u>Kilowatt year (kW-year):</u>	Electrical unit of the yearly amount of capacity.
<u>Mill:</u>	A monetary denomination of the United States that equals one tenth of a cent or one thousandth of a dollar.
<u>Mills per kilowatt hour (mills/kWh):</u>	A unit of charge.
<u>Non-firm:</u>	A type of product and/or service not always available at the time requested by the customer.
<u>O&amp;M:</u>	Operation and Maintenance.
<u>Proposed Rate:</u>	A rate that has been recommended by Western to the Deputy Secretary of Energy for approval.
<u>Provisional Rate:</u>	A rate that has been confirmed, approved, and placed into effect on an interim basis by the Deputy Secretary of Energy.
<u>Reclamation:</u>	United States Department of Interior, Bureau of Reclamation.
<u>Western:</u>	Western Area Power Administration.

### **Effective Date**

The new provisional rates will take effect on the first day of the first full billing period beginning on or after January 1, 2016, and will remain in effect until FERC confirms, approves, and places the rate schedules in effect on a final basis through December 31, 2020, or until the rate schedules are superseded.

## **Public Notice and Comment**

Western followed the Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, 10 CFR part 903, in developing these rates. The steps Western took to involve interested parties in the rate process were:

1. An FRN was published on July 24, 2015 (80 FR 44100) announcing the proposed rates for transmission service, initiating a public consultation and comment period, and setting forth the dates and locations of public information and public comment forums.
2. On July 29, 2015, Western notified all CAP customers and interested parties of the rate adjustment and provided a copy of the published FRN.
3. On August 27, 2015, Western held a public information forum in Phoenix, Arizona. Western explained the proposed rates and potential changes to the proposed rates, answered questions, and provided handouts.
4. On September 24, 2015, Western held a public comment forum in Phoenix, Arizona, to give the public an opportunity to comment for the record. There were no comments received at this forum.
5. Western created a CAP rate adjustment website to provide interested parties with information about this rate adjustment process. The website is located at <https://www.wapa.gov/regions/DSW/Rates/Pages/central-arizona-rates.aspx>.
6. On October 6, 2015, Western provided answers to a list of questions concerning the proposed rates and posted the answers on the CAP rate adjustment website.

## **Project Description**

The CAP is one of three related water development projects that make up the Colorado River Basin Project. The others are the Dixie and the Upper Basin projects. The CAP was developed for Arizona and western New Mexico; the Dixie Project for southeastern Utah; and the Upper Basin Project for Colorado and New Mexico.

Congress authorized the Colorado River Basin Project in 1968 to improve water resources in the Colorado River Basin. Segments of the 1968 authorization allowed Federal participation in the Navajo Generating Station (Navajo), which has three coal-fired steam electric generating units with a combined capacity of 2,250 MW. Construction of the plant, located near Lake Powell at Page, Arizona, began in 1970 and generation began in 1976.

The 24.3 percent Federal Share of Navajo, or 546,750 kW, is used to power the pumps that move Colorado River water through CAP canals. Surplus generation is currently marketed under the Navajo Power Marketing Plan adopted on Dec. 1, 1987. Surplus Navajo short-term firm and non-firm transmission service will be marketed at the CAP 115/230-kV transmission rate during the term of the rate schedules.

## **Existing and Provisional Rates**

The existing rates for point-to-point transmission service consist of a firm rate and a non-firm rate. The existing rate for firm point-to-point transmission service under Rate Schedule CAP-FT2 is \$13.56 /kW-year. The existing rate for non-firm point-to-point transmission service



under Rate Schedule CAP-NFT2 is 1.55 mills/kWh. The existing rates under Rate Schedules CAP-FT2, CAP-NFT2, and CAP-NITS2 expire December 31, 2015.

The provisional rates will supersede the existing rates and become effective on an interim basis on the first day of the first full billing period beginning on or after January 1, 2016. The provisional rate for firm point-to-point transmission service under Rate Schedule CAP-FT3 is \$14.88 /kW-year. The provisional rate for non-firm point-to-point transmission service under Rate Schedule CAP-NFT3 is 1.70 mills/kWh. The provisional rates will result in a rate increase of 10 percent when compared to the existing rates. A comparison of the existing and provisional rates for transmission service follows:

**COMPARISON OF EXISTING AND PROVISIONAL RATES  
CENTRAL ARIZONA PROJECT**

Transmission Service	Existing Rates	Provisional Rates (effective 1/1/16)	Change
Firm Point-to-Point	\$13.56 /kW-year	\$14.88 /kW-year	10%
Non-firm Point-to-Point	1.55 mills/kWh	1.70 mills/kWh	10%

**Certification of Rates**

Western's Administrator certified that the provisional rates for CAP transmission service under Rate Schedules CAP-FT3, CAP-NFT3, and CAP-NITS3 are the lowest possible rates consistent with sound business principles. The provisional rates were developed following administrative policies and applicable laws.

**Transmission Rate Discussion**

According to Reclamation law, Western must establish rates which provide sufficient revenue to recover annual O&M, purchase power, transmission service and other costs, interest expense, and repay investments. Western calculates the rates each year to determine if the existing rates will provide adequate revenue to repay all power system costs within the required time.

Repayment criteria are based on existing law and applicable policies, including DOE Order RA 6120.2. To meet the cost recovery criteria outlined in DOE Order RA 6120.2, a rate calculation was completed to demonstrate that sufficient revenues will be collected under the provisional rates to meet future obligations.

The existing rates are insufficient and do not provide adequate revenue to cover costs due primarily to the replacement of the aging ED2-Saguaro line. Construction of this line started in 2015, and the costs will be spread over a 5-year period.

A secondary factor for the rate increase is a decrease in projected sales of long-term firm point-to-point transmission service. The provisional rates include the reduction in the sales forecast for 115/230-kV transmission service over the 5-year cost evaluation period.

### **Availability of Information**

All brochures, studies, comments, letters, memorandums, and other documents that Western used to develop the provisional rates are available for inspection and copying at the Desert Southwest Customer Service Regional Office, Western Area Power Administration, 615 South 43<sup>rd</sup> Avenue, Phoenix, AZ 85009-5313. Many of these documents and supporting information are available on Western's website at <https://www.wapa.gov/regions/DSW/Rates/Pages/central-arizona-rates.aspx>.

### **RATEMAKING PROCEDURE REQUIREMENTS**

**Environmental Compliance**

In compliance with the National Environmental Policy Act (NEPA) of 1969, (42 U.S.C. 4321, et seq.), Council on Environmental Quality Regulations (40 CFR parts 1500-1508), and DOE NEPA Regulations (10 CFR part 1021), Western has determined that this action is categorically excluded from the preparation of an environmental assessment or an environmental impact statement.

**Determination under Executive Order 12866**

Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

**Submission to the Federal Energy Regulatory Commission**

The interim rates confirmed, approved, and placed into effect herein, together with supporting documents, will be submitted to FERC for confirmation and final approval.

## **ORDER**

In view of the foregoing and under the authority delegated to me, I confirm and approve on an interim basis Rate Schedules CAP-FT3, CAP-NFT3, and CAP-NITS3 to become effective on the first day of the first full-billing period beginning on or after January 1, 2016, and to remain in effect until FERC confirms, approves, and places the rate schedules in effect on a final basis through December 31, 2020, or until the rate schedules are superseded.

Dated: December 21, 2015

Elizabeth Sherwood-Randall  
Deputy Secretary of Energy

Rate Schedule CAP-FT3  
SCHEDULE 7 to Tariff  
(Supersedes Schedule CAP-FT2)

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**DESERT SOUTHWEST CUSTOMER SERVICE REGION  
CENTRAL ARIZONA PROJECT**

**FIRM POINT-TO-POINT TRANSMISSION SERVICE**

Effective:

The first day of the first full billing period beginning on or after January 1, 2016, through December 31, 2020, or until superseded by another rate schedule, whichever occurs earlier.

Applicable:

The transmission customer will compensate the Central Arizona Project (CAP) each month for Reserved Capacity under the applicable Firm Point-To-Point Transmission Service Agreement and the formula rate described herein.

Formula Rate:

$$\text{Firm Point-To-Point Transmission Rate} = \frac{\text{Annual Transmission Revenue Requirement (\$)}}{\text{Firm Transmission Capacity Reservations} + \text{Network Integration Transmission Service Capacity (kW)}}$$

A recalculated rate will go into effect every January 1 based on the above formula and updated financial and operational data. Western will notify the transmission customer annually of the recalculated rate on or before December 1. Discounts may be offered from time-to-time in accordance with Western's Open Access Transmission Tariff.

Character and Conditions of Service:

Alternating current at 60 Hertz, three-phase, delivered and metered at the voltages and points of delivery established by contract or service agreement over the CAP 115/230-kV transmission system.

Adjustment for Reactive Power:

There shall be no entitlement to transfer of reactive kilovolt amperes at delivery points, except when such transfers may be mutually agreed upon by the parties and contracting officer or their authorized representatives.

Billing:

Billing determinants for the formula rate above will be as specified in the contract or service agreement. Billing will occur monthly under the formula rate.

Adjustment for Losses:

Losses incurred for service under this rate schedule will be accounted for as agreed to by the parties in accordance with the contract or service agreement. If losses are not fully provided by a Transmission Customer, charges for financial compensation may apply.

### Unreserved Use:

Western will assess a charge for any unreserved use of the transmission system. Unreserved use occurs when a customer uses transmission service that it has not reserved or uses transmission service in excess of its reserved capacity. Unreserved use may also include a customer's failure to curtail transmission when requested.

The charge assessed for unreserved use is two times the maximum allowable rate for the service at issue as follows: The penalty for a single hour of unreserved use is based on the daily short-term rate. The penalty for more than one assessment of unreserved use for any given duration (e.g., daily) increases to next longest duration (e.g., weekly). The penalty for multiple instances of unreserved use (e.g., more than one hour) within a day is based on the daily short-term rate. The penalty for multiple instances of unreserved use isolated to one calendar week is based on the weekly short-term rate. The penalty for multiple instances of unreserved use during more than one week in a calendar month is based on the monthly short-term rate.

A customer that exceeds its reserved capacity at any point of receipt or point of delivery, or a customer that uses transmission service at a point of receipt or point of delivery that it has not reserved, is required to pay for all ancillary services provided by the Western Area Lower Colorado (WALC) Balancing Authority and associated with the unreserved use. The customer will pay for ancillary services based on the amount of transmission service used and not reserved.

Rate Schedule CAP-NFT3  
SCHEDULE 7 to Tariff  
(Supersedes Schedule CAP-NFT2)

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**DESERT SOUTHWEST CUSTOMER SERVICE REGION  
CENTRAL ARIZONA PROJECT**

**NON-FIRM POINT-TO-POINT TRANSMISSION SERVICE**

Effective:

The first day of the first full billing period beginning on or after January 1, 2016, through December 31, 2020, or until superseded by another rate schedule, whichever occurs earlier.

Applicable:

The transmission customer will compensate the Central Arizona Project (CAP) each month for Non-Firm Point-To-Point Transmission Service under the applicable agreement



and the formula rate described herein.

Formula Rate:

$$\begin{array}{ccc} \text{Maximum Non-Firm Point-To-Point} & & \text{Firm Point-To-Point} \\ \text{Transmission Rate} & = & \text{Transmission Rate} \end{array}$$

A recalculated rate will go into effect every January 1 based on the above formula and updated financial and operational data. Western will notify the transmission customer annually of the recalculated rate on or before December 1. Discounts may be offered from time-to-time in accordance with Western's Open Access Transmission Tariff.

Character and Conditions of Service:

Alternating current at 60 Hertz, three-phase, delivered and metered at the voltages and points of delivery established by contract or service agreement over the CAP 115/230-kV transmission system.

Adjustment for Reactive Power:

There shall be no entitlement to transfer of reactive kilovolt amperes at delivery points, except when such transfers may be mutually agreed upon by the parties and contracting officer or their authorized representatives.

Billing:

Billing determinants for the formula rate above will be as specified in the service agreement. Billing will occur monthly under the formula rate.

Adjustment for Losses:

Losses incurred for service under this rate schedule will be accounted for as agreed to by the parties in accordance with the contract or service agreement. If losses are not fully provided by a transmission customer, charges for financial compensation may apply.

Navajo Transmission Service (500-kV):

Western will market excess transmission service from the Navajo (500-kV) portion of the CAP on a short-term basis at the formula rate described herein.

Rate Schedule CAP-NITS3  
ATTACHMENT H to Tariff  
(Supersedes Schedule CAP-NITS2)

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**DESERT SOUTHWEST CUSTOMER SERVICE REGION  
CENTRAL ARIZONA PROJECT**

**NETWORK INTEGRATION TRANSMISSION SERVICE**

Effective:

The first day of the first full billing period beginning on or after January 1, 2016, through December 31, 2020, or until superseded by another rate schedule, whichever occurs earlier.

Applicable:

The transmission customer will compensate the Central Arizona Project (CAP) each

month for Network Integration Transmission Service (NITS) under the applicable agreement and the formula rate described herein.

Formula Rate:

$$\text{Monthly Charge} = \frac{\text{Annual Transmission Revenue Requirement for Network Integration Transmission Service}}{12} \times \text{Transmission Customers Load-Ratio Share}$$

A recalculated Annual Transmission Revenue Requirement for Network Integration Transmission Service will go into effect every January 1 based on the above formula and updated financial and load data. Western will notify the transmission customer annually of the recalculated annual revenue requirement on or before December 1.

Billing:

Billing determinants for the formula rate above will be as specified in the service agreement. Billing will occur monthly under the formula rate.

Adjustment for Losses:

Losses incurred for service under this rate schedule will be accounted for as agreed to by the parties in accordance with the contract or service agreement. If losses are not fully provided by a transmission customer, charges for financial compensation may apply.

[FR Doc. 2015-32792 Filed: 12/28/2015 8:45 am; Publication Date: 12/29/2015]